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Attached are the draft paragraphs you requested from this branch concerning the economic impact of potential Soviet purchases of US wide-bodied aircraft. The analysis has not been formally coordinated with OSR but has been discussed with relevant analysts. If differences of opinion arise between various contributors, we are prepared to discuss and coordinate our views prior to the submission of the final draft.

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Office of Economic Research

Attachment:
As stated

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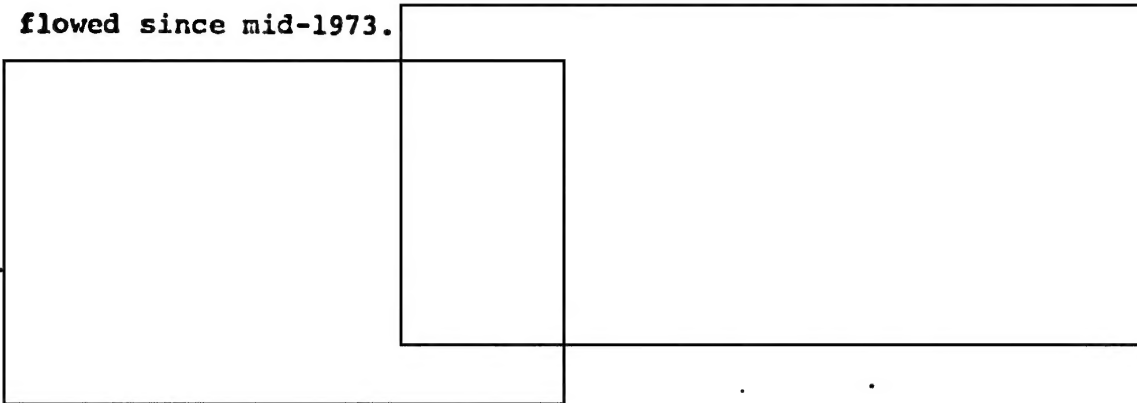
Significance of Soviet Acquisition of
Western Aviation Technology.

Background

1. The USSR's interest in purchasing US manufactured wide bodied aircraft dates bac.. more than four years, when Soviet officials began informal discussions with Boeing representatives in foreign countries. In the past two years these talks have graduated into reciprocal exchanges between Soviet aviation officials and each of the three US manufacturers of wide bodied aircraft -- McDonnell Douglas (DC-10 series); Lockheed (L-1011 series); and Boeing (747 series).

2. Soviet interest in such acquisitions have ebbed and flowed since mid-1973.

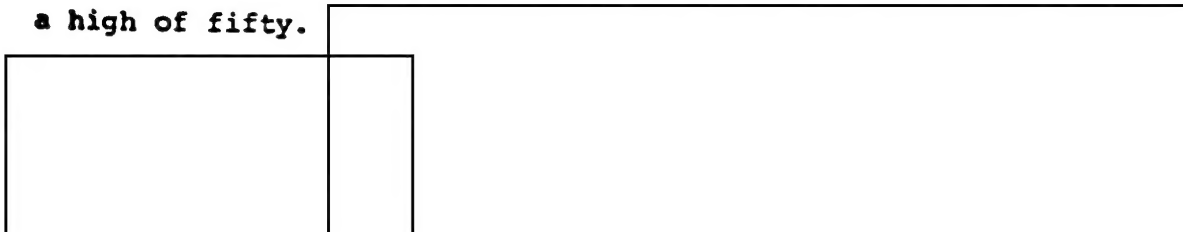
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3. Estimates of how many wide bodied aircraft the USSR may be interested in have ranged widely -- from a low of two to a high of fifty.

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[redacted] If the Soviets are genuinely interested in using such aircraft, five to ten would seem a realistic initial order.

Impact

4. The acquisition of as many as ten US wide bodied aircraft would have virtually no economic impact on the vast operations of Aeroflot, the Soviet national airline. Indeed, even the purchase of up to thirty US wide-bodied aircraft would account for less than five percent of Aeroflot's current maximum lift capacity of 275,000 passengers at any one time.

5. Aeroflot's fleet inventory of high performance turboprop and jet aircraft is approaching 2,500 aircraft. About 1,000 of these are jets, including over 300 medium to longer range models and 500 short-take-off and landing (STOL) aircraft.

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[redacted]

7. If technology transfer is not an integral part of any US-USSR aviation dealings, the prospects for a separate purchase of US aircraft is virtually nil. Moreover, with an absence of technology transfer, it seems inconceivable that the Soviets will make US aircraft an integral part of the Aeroflot fleet under the Ministry of Civil Aviation (MGA). Although some MGA officials say they would favor such an acquisition, most MAI (Ministry of Aviation Industry) officials oppose such plans.

25X1

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Instead, MAI would prefer to proceed with the development of their shorter range version of a wide bodied aircraft -- the IL-86 -- despite the fact that it will probably not be introduced until 1980.

8. Notwithstanding this controversy, the Soviets will continue attempts to acquire US technology for a broad range of aviation applications. I In almost all areas of civil aviation development and production technology, the Soviets lag the US by a minimum of five years. For specialty areas such as aircraft wiring, selected avionics, and the application of computer controlled machine tool processes to civil aircraft production, the gap is at least 10 years. Foreign assistance is thus sorely needed to bring the technical aspects of Soviet aviation close to Western standards.

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